REPORTING OF FINANCIAL FRAUDS IN INDIAN BANKS & ITS IMPACT ON FINANCIAL PERFORMANCE OF INDIAN BANKING SECTOR (WITH SPECIAL REFERENCE TO PRIVATE & PUBLIC SECTOR BANKS OF INDIA)

Synopsis

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INTRODUCTION

What is a Bank?

The term bank is derived from the Old Italian word banca or the French word banque. Both mean a Bench or money exchange table.

A bank is a financial institution licensed to receive deposits & make loans to the entities. Banks may also provide financial services such as wealth management, currency exchange, & safe deposit boxes. There are several different banks, including retail banks, commercial or corporate banks, & investment banks. Banks play a significant role in maintaining the economic stature of a country. Given their importance in the economy, banks are kept under strict regulation. The national government or central bank regulates banks. In India, RBI is the apex banking institution that holds the monetary policy in the country.

Banking Sector in India

In India, the banks & banking have been divided into different groups. Each group has its benefits & limitations in its operations. They have a dedicated target market. Some concentrated their work in the rural sector, while others in both rural and urban. The banking system plays a vital role in promoting economic growth by channeling savings into investments and improving the allocative efficiency of resources. An efficient banking system is now regarded as a necessary pre-condition for growth.

Fraud definition

- Wrongful or criminal deception intended to result in financial or personal gain.
- Fraud is a broad term that refers to acts intended to defraud (a fraudulent scheme or action).
- The term fraud has been clarified by the Association of Certified Examiners in the USA as the"utilization of one's occupation for individual advancement through purposeful abuse or misapplication of utilizing association’s assets & resources.

Financial fraud definition

- Financial fraud can be broadly defined as an intentional deception involving financial transactions for personal gain. This can be done through various methods, such as identity theft or investment fraud. Many fraud cases involve complicated financial transactions conducted by 'white-collar criminals' such as business professionals with specialized knowledge & criminal intent.

- A deliberate act of omission or commission, carried out in the course of a banking transaction or the books of accounts maintained manually or under a computer system in banks, resulting in a wrongful gain to any person for a temporary period or otherwise, with or without any monetary loss to the bank.

(As per Report of RBI Working Group on Information Security, Electronic Banking, Technology Risk Management & Cyber Frauds)

Types of Bank Frauds

There are many different types of Bank fraud. Some of the most common types of fraud tend to be cheque fraud, debit & credit card fraud, safe deposit box fraud, & ACH fraud, ATM fraud, Demand Draft fraud, Forged documents, Loan fraud, and Bill discounting Fraud etc. Still, there are many additional types of bank fraud both within & beyond these basic categories.

Performance of Indian Banking Sector Due to Financial Frauds

Frauds & fraudulent activities cause significant damage and severe financial dilemmas on banks & their clients and cause a substantial reduction in the quantum of money accessible for economic development. The unhealthy development of rising fraudulent activities afflicting the banking sector generates losses for the banks involved and impinges their credibility adversely. Suppose the banking system is in a lot of trouble with high levels of NPAs. In that case, it is a cause of worry because it reflects the financial distress of borrower clients or inefficiencies in transmission mechanisms.

The high turnover of frauds, theft, defalcations & forgeries in the banking system can undermine the growth, development & stability of banks, which seems to be doggedly affecting the financial sector of the economy (Nwanko, 1991). Indian economy suffers to a great extent from these problems, & this served as the prime motivation for the authors to carry out this detailed study of frauds in the Indian banking system & examining frauds from different angles.

The performance of the Indian Banking Sector affects due to financial and non-financial measurements of banks. Bank failures are a direct threat to the economy of any country, & hence, urgent regulatory changes must be designed to decrease the probability of future bank failures & lessen the cost of bank failures. Monetary measures have been used to assess the performance of firms for decades. Mabwe Kumbirai & Robert Webb (2010) suggested that traditionally, financial

performance measurements of financial institutions are split into the following categories: profitability, liquidity & credit performance measurements.

Reporting Guidelines on Fraud to RBI

1. Frauds involving Rs. 1 lakh & above

2. Frauds involving Rs. 100 lakh & above

Banks are required to report frauds involving Rs. 100 Lakh & above to Central Office, RBI, by way of D.O. letter giving the details such as amount involved, nature of fraud, modus operandi in brief, name of the branch/office, parties involved, etc. within a week of notice of the fraud at the bank's

H.O. duly marked copy to R.O.

3. Cases of attempted fraud

Banks are required to report the cases of attempted fraud involving likely loss, which would have been Rs. 1 crore or more had the fraud taken place, to the Central Office, RBI, giving the full details, including the modus operandi, within two weeks of the bank coming to know that the fraud attempt has failed or foiled.

(Source: RBI Guidelines)

Table 1 Year wise Bank Fraud cases in India

S.NO.	**Year**	**Person/ Company Involved**	**Bank Suffer (Amount Rs in Crore)**	**Amt. Involved (Rs in Crore)**	**Case Related With**
1.	2020	Educomp SolutionsLtd (the borrower company), Shantanu Prakash (MD & Guarantor), & Jagdish Prakash (Guarantor).	SBI, Axis Bank, J&K Bank, StanChart Bank, Canara Bank, ACRE, IndusInd Bank & 6 other Banks	1955.36	Acts of forgery used forged Documents as genuine, Diverted & siphoned off the banks' funds & cheated the lending banks.
2.	2020	Chanda Kochhar	ICICI Bank	40,000	Accepting bribes & giving loans to the debt- ridden Videocon Group
3.	2019	Housing Development & Infrastructure Ltd (HDIL)	PMC Bank	4,355	Transfer of 70% of thetotal credit facilities
4.	2018	Vijay Mallya	SBI, PNB, IDBI, Bank of Baroda & 9 other Banks	9,432	Borrowing
5.	2018	Nirav Modi & Mehul Choksi	Allahabad Bank	2,363	Misused of SWIFT technique

6.	2018	Rotomac Global Pvt Ltd Vikram Kothari.	Bank of India, Indian Overseas Bank, Union Bank of India, Bank of Baroda, Allahabad Bank, OBC, Bank of Maharashtra	3,695	Siphoning off loans
7.	2018	Archana Bhargava	United Bank of India	3.6	Disproportionate of Assets to her known sources of income.
8.	2018	Nirav Modi, Chandri Paper & Allied Products	PNB	9.1	Fraudulent & unauthorized issuance of two LoUs
9.	2018	Kanishk Gold Pvt Ltd (KGPL)	SBI (240), PNB (128), Bank of India (46), IDBI (49), Syndicate Bank (54), Union Bank (53), UCO Bank (45), Central Bank (22), Corporation Bank (23), Bank of Baroda (32), Tamil Nadu Mercantile Bank (27), HDFC (27), ICICI Bank (27) & Andhra Bank (32).	824.15	Loans that have not been declared as non-performing asset (NPA).
10.	2018	Karnataka Bank fraud case Mehul Choksi (GitanjaliGems)	Karnataka Bank	86.47	Fund-based working capital facilities extended on account of non-realization of exports bills & diversion of funds.
11.	2015	R P Info Systems & its directors	Canara bank, SBI, State Bank of Bikaner & Jaipur, Union Bank of India, Allahabad Bank, OBC, Central Bank of India,PNB, State Bank of Patiala & Federal Bank.	515.15	Fraud documents (Get loan based on false & fabricated stock/receivable/debtor s' statements, forged drawing power letter etc.)
12.	2011	Nirav Modi & Mehul Choksi	PNB	11,400	Letter of Undertaking
13.	2011	Simbhaoli Sugars ltd.	OBC	200	Diverted the loan funds
14.	2010	Eight top-ranking officials of PSBs & financial Institutions, including the LIC Housing Finance CEO Ramchandran Nair	Central Bank of India,Bank of India & PNB,	40,000	Housing Loan Scam
15.	2001	Ketan Parekh Scam	Ahmedabad's Madhavpura MercantileCooperative Bank	1,200	Siphoning off a huge sum of money from the banks

In Indian society, banking fraud is not a current trend. Banking frauds were existing since kautilya's arthashastra's time; those frauds were committed in the manual process of banking to reduce this, E-banking was introduced, but the fraudsters have found a way of committing fraud in the E-banking system also. E- Frauds in India are on the rise. Some frauds are reported & but many are not as there is a lack of cyber law awareness in India. The Indian buyer is also unaware of the legal provisions under which he can file a case if deceived.

There is an increase in the amount involved in frauds of Rs 1lakh & above, reported by scheduled commercial banks & selected financial institutions.

Table 2 Year wise amount involved in frauds

Financial Year	**2016-17**	**2017-18**	**2018-19**	**2019-20 (Apr-Sep)**
Amount involved in frauds (Rs. In crore)	23,934	41,167	71,543	1, 13,374

(Source: RBI Financial Stability Report, Dec 2019)

India ranks third after Japan & U.S in online malware attacks. Mumbai is number one for banking fraud in India. As part of Maharashtra State, in-country Mumbai tops the list of cities with the highest number of scams reported by banks, with the money involved totaling **Rs. 400 Crore per year** for the past five years. While for the financial year 2010-11, banks in Mumbai reported 787 fraud cases involving Rs. 1,049Crore, the tally for the national capital was 338 cases, with the net amount lost being Rs. 268Crore, according to the documents obtained under the Right to Information (RTI) Act from the RBI.

According to a Zee Research Group (2013), Analysis during the last decade, the Indian banking sector grew at an average rate of 18% compared to a 7% GDP growth rate. However, during the same period, cyber fraud in the banking sector has emerged as a big problem & a cause of worry for this sector (Soni & Soni, 2013).

There are about 8,322 cyber fraud cases, such as credit card frauds, internet banking frauds, ATM frauds, debit card frauds etc., registered in banks in 2012. The highest number of cases was reported in **ICICI banks, with around 3,428 cases from the private sector & IDBI bank from the public sector with 87 cases.** Many other e-banking fraud cases go unreported.

In 2013-15, PSBs in India alone lost close to Rs. 22,700Crores on account of banking frauds. This amount has been increasing with each passing year. In most cases, we have the staff of the banks involved &, in some cases, it has been because of technological attempts by outsiders.

Table 3 Total Fraud Amount & Cases in Banks

Year	Fraud Amount	PercentageIncrease inAmount	No. Of Casesreported by lenders	Percentage Increase in Cases
2018-19	71,543Crore	74%	6801	14.95%
2017-18	41,167Crore	-	5916	-

(Source: RBI Financial Stability report)

As per the report 'Trends & Progress of Banking 2018-19, PSBs had 55.4% of the number of cases reported & 90.2% of the amount involved mainly reflecting due to lack of adequate internal processes, people & systems to tackle operational risks & PSBs' share in the value of large frauds was even higher at 91.6% in 2018-19. Pvt. Sector lenders & foreign banks accounted for 30.7% of the total number of reported frauds & their share in the amount involved in frauds reported was 7.7% in 2018-19.

Table 4 Total Fraud Amount & Cases in Different Categories during 2018-19

Fraud related to	Cases in Numbers	Amount (Rs. in Crores)
Advances	3606	64,548
Foreign exchange transactions	13	695
Card or internet	1866	71

Table 5 Bank, Group & year-wise frauds reported during 2013-14 to 2017-18

(Amount involved >= Rs. 1lakh)

Year	Banks/ Particulars	PSB	Pvt.	Total
2013-14	**No. of Frauds**	2,591	1,148	**3,739**
	Amount involved (Rs. in lakh)	7,54,309	1,72,921	**9,27,230**
2014-15	**No. of Frauds**	3,113	1,111	**4,224**
	Amount involved (Rs. in lakh)	16,80,323	2,12,840	**18,93,163**
2015-16	**No. of Frauds**	2,789	1,416	**4,205**
	Amount involved (Rs. in lakh)	16,90,999	1,26,684	**1,81,7683**
2016-17	**No. of Frauds**	2,709	1,625	**4,334**
	Amount involved (Rs. in lakh)	19,52,969	3,98,321	**23,51,290**
2017-18	**No. of Frauds**	2,883	1,940	**4,823**
	Amount involved (Rs. in lakh)	29,24,655	2,37,419	**31,62,074**

(Source: RBI Annual Trend & Progress Report)

REVIEW OF LITERATURE

A Review of Literature is not just a simple & synthesis work of previously written work but an evaluation. It brings previous research together & explains how it connects to research proposed by the current paper. It is the backbone of the whole research work & it creates a background for the selection of procedure, helps the researcher in the adoption of tools & provides comparative data. It shows the originality & relevance of the research problem. It

Also means finding other articles, books or information about the subject of research. It also gives us a place to begin to write & research the issue. In the view of last few years' research, these studies have been conducted so far.

These studies have been categorized into two groups:

- International Reviews
- National Reviews

Table 6 International Reviews

S.No.	Authors & Year	Journal	Title	Objectives	Findings
REASONS OF BANKING FRAUD & PREVENTIVE SECURITY CONTROLS					
1.	Sukanya Kundu & Rao N. (2014)	International journal of information systems maagement research & developmennt (IJISMRD)	Reasons of banking fraud-A case of Indian Public Sector Banks	1. To study the fraud cases that happened with ABC bank, fraud type, persons associated at the time of fraud detection with identification of fraud along with fraud descriptions. 2. To identify the thrust areas for fraud management. 3. To provide a model of fraud management for Indian banks.	Though adoption of technology comes with the evolution of time, but protection of public money & people is greatest challenge responsibility of a modern-day banker. In-house internal audit units are perceived more effective than outsourced internal audit functions in fraud prevention.
2.	Khanna, Ashu; & Arora, Bindu (2009)	International Journal of business science & applied managem	A study to investigate the reasons for bank frauds & impleme ntation of	1. To evaluate the extent of implementation of internal control mechanism. 2. To identify procedural lapses & various other causes responsible for bank	Bank employees don't measured under 6 heads i.e., internal check, deposit accounts, administration of cheque & pass books, loans & advances, drafts, internal accounts & internal branch accounts.

		ent (IJBSAM)	preventive security controls in Indian banking industry.	frauds. 3. To know the perception of bank employees towards banks frauds & their compliance towards implementation of preventive mechanism. 4. To evaluate the factors that influence the degree of compliance.	
3.	T.S. Vigneshwaran & M. Yokesh (2018)	International of pure & applied mathematics	A Study on causes & prevention of fraud in banking industry	1. To establish cause of fraud & event that facilitates this act. 2. To find out various forms & nature of commercial fraud that provides the system. 3. To keep general public aware of hazardous effects of fraud in banking industry. 4. To keep management & its subordinate alert to fight against fraud among back employee they are customer shareholders & general public. 5. To find solution & control means of fraud in banking system in a bid to save economy raise the profitability of bank & to save the image of banking sector.	Cover issues such as banking frauds & mounting credit card, debt with a detailed analysis using secondary data (literature review & case approach) & interview based approach spanning across all players involved in reporting financial misconduct. Report touches case of rising NPAs in past few years across various scheduled commercial banks, especially PSBs. Provides recommendations to reduce future occurrence of frauds in Indian banking sector. Credibility of 3rd parties such as auditing firms & credit rating agencies is also questioned in the study & is believed to be a significant contributors amongst other causes such as oversight by banks & inadequate diligence.
EMPLOYEE AWARENESS IN BANKING FRAUDS					
4.	Sharma, N. & Dr. Sharma D. (2019)	International journal of business management	An Empirical study on banking frauds in India with a special reference to role of employee	1. To assess degree of execution of internal control system & intends to distinguish the procedural frauds & different causes of bank frauds. 2. To know the approach of bank employees towards bank frauds & their consistence towards execution of preventive	Bank employees don't give due significance to the issue of frauds. Awareness level of staff with respect to bank frauds isn't extremely acceptable & dominant part of them don't arrange good mentality towards RBI strategies as they discover trouble in tailing them because of work pressure & competition in the industry. However banks can secure &

			awarenes s in banking frauds	measures. 3. To assess the variables that impact the level of compliance.	protect validness of exchanges by utilizing multi-investigation: cryptographic check obstacles.
ROLE OF TECHNOLOGY IN COMBATTING BANK FRAUDS					
5.	Madan L. Bhasin (2016)	Ecoforu m journal	The Role of technolo gy in combatti ng bank frauds: perspecti ves & prospects	1. To know perception of employees towards bank frauds a survey conducted & evaluates factors that influence degree of their compliance level. 2. To know attitudes, strategies & technology that specialists will need to combat frauds in banks.	Business firms lose 5% of revenue each year to fraud. In April 2015, Each year to fraud. In April 2015, RBI chief Mr. Rajan has written to the PMO seeking concerted action in the country's 10 biggest bank frauds allegedly involving prominent real-estate, media & diamond firms that are beingprobed by the CBI.
6.	Madan Lal Bhasin (2016)	British journal of research	Combati ng bank frauds by integratio n of technolo gy: experienc e of a developi ng country	1. To know opinions of bank employees in reference to training received, attitude towards procedures prescribed by RBI, awareness level towards frauds & their compliance level under 6 heads. 2. To examine issues about how to integrate technology in banking industry in order to detect & prevent frauds in Indian banks. 3. To examine technology solutions available & how to integrate forensic approach to combat bank frauds in Indian banking industry.	Steps to control frauds central fraud registry, introduced concept of red flagged account & Indian investigative agencies (CBI, CEIB) will soon start sharing their databases with banks.
MENACE OF FRAUDS IN INDIAN BANKING INDUSTRY					
7.	Dr. M.L. Bhasin (2015)	Australia n journal of business & managem ent research	Menace of frauds in Indian banking industry: an empirical study	1. To know perception of employees towards bank frauds & evaluate factors that influences the degree of their compliance level through a questionnaire survey. 2. To study meaning of bank frauds & who is responsible	Compliance level of security controls prescribed in guidelines of RBI were measured under 6 heads: internal checks, deposit accounts, administration of cheque & passbooks, loans & advances, drafts, internal & inter branch accounts. Result indicated that security control measures aren't fully compiled with. Limited

				for fraud detection. 3. To analyze magnitude of frauds in Indian banking industry scenario & top ranking state in fraud cases & amount involved. 4. To study guidelines provided by RBI for fraud cases.	separation of duties, false documentation & inadequate or non-existent control account for 60% of fraud cases. Professional & managerial employees were involved in 45% of cases.
E-BANKING FRAUD ISSUES & CYBER CRIME (PHISHING)					
8.	Emad Abu-Shanab & Salam Matalqa (2015)	International journal of computer networks & Applications (IJCNA)	Security & Fraud Issues of E-banking	1. To study security issues related to e-banking along with characteristics & challenges of e-banking fraud. 2. To study Different types of attacks, fraud detection strategies & some prevention methods used by banks. 3. To analyze ranking of different model & techniques in security through expert opinion method.	E-banking imposes traditional banking risks & many challenges especially in terms of security issues. Security aspects should be taken in consideration at all levels of financial organizations,to protect themselves against various types of fraud & attacks. Research indicated that factors influence adoption of e-banking, where factors like usefulness, ease of use, trust, & social influence were major influencers to the intention of using e-banking.
9.	Paramesh wara (2013)	International journal of scientific research	E-Banking system in India & Cyber Frauds	1. To study concept of e- banking. 2. To study limitations & legal issues. 3. To study benefits to customers & banks. 4. To study recommendations given by Shri. G. Gopalakrishna Committee on Cyber frauds (2011)	Along with development
Effects of Financial Fraud & Liquidity on Financial Performance of Commercial Banks					
10.	Fredrick Odhimbo Olongo (2013)	Research project of MBA, university of Nairobi	The effects of financial fraud & liquidity on financial performance of commerc	Objective of this study was to evaluate effects of financial fraud & liquidity on financial performance of commercial banks in Kenya.	ROA has significantly affected by liquidity ratios & fraud loss with positive correlation. Chi-square results, shows better financial performing banks recorded a higher mean as compared to poor financial performing banks. Variance for better financial

			ial banks in Kenya		performing banks & poor financial performing banks showed statistically significance. At 2- tailed, t-calculated was > t-tabulated. Study showed strong, significant, positive relationship between annual liquidity ratios & financial performance of commercial banks & annual fraud loss & financial performance of commercial banks.
11.	Mrs. B. Mamatha (2018)	Journal of Emerging Technologies & Innovative Research	Frauds in Indian Banking & Cyber Security Issues: an Analysis	1. To analyze cyber frauds: year & group wise. 2. To suggest appropriate & suitable measures of cyber security issues.	India will witness a 65% rise in mobile frauds by 2017 as 40-45% of financial transactions are done via mobile devices, 2018 has seen a string of bank frauds & scams across India, raised questions about governance & credit managing practices at private & public sector banks.
12.	S. Kumudha & Aswathy Rajan (2018)	International journal of pure & applied mathematics	A critical analysis of cyber phishing & its impact on banking sector	1. To understand about cybercrime. 2. To analyse & use preventive measures available to control frauds. 3. To know reason for cyber phishing. 4. To study about cybercrime & its impact on banking sector.	Ongoing efforts to prevent & control are highly technological & computer-based crimes & highlighting general trends & developments within & without Indian banking sector & described deeply a no. of common electronic crimes, identified in specific areas of Indian banking sector.
FINANCIAL PERFORMANCE OF BANKS					
13.	Meenakshi & Dr. Alam Q. (2019)	A journal of composition theory	The Financial performance of selected PSBs in India: empirical evidence	Main objective of this study is to analyze performance of 13 PSBs of India using CAMEL Approach.	Bank wise financial performance through CAMEL model used. Pooled regression results suggest, capital adequacy ratio & net NPA explanatory variables are significant in determining profitability indicator i.e. ROA. Capital adequacy & Net NPA were key drivers of profitability of nationalized public sector banks in India. Therefore, bank manager is advised to give due attention to these variables to

					improve profitability.
LOAN & ADVANCE RELATED FRAUDS					
14.	Rohilla, A. & Dr. Bansal Ipshita (2017)	International journal of research in finance & marketing (IJRFM)	Combat Loan & advance related frauds- a study of Indian banking sector	1. To provide measures to prevent fraud. 2. To suggest a framework for preventing Loan & advance related fraud.	Preventive measures can be taken by the banks to minimize number & impact of loans & advance related frauds. Improved verification process, establish orderly information system, focus on know your customer principals, effective audit control etc.
E- BANKING CHALLENGES IN INDIA					
15.	Zadeh,M. K. & Alam D. (2012)	Interdisciplinary journal of contemporary research in business	Electronic banking challenges in India: an empirical investigation	To identify challenges of e-banking from perspective of employees & bank customers.	Legal & security issues, socio- cultural barriers, & management- banking issues are accepted as challenges for e-banking development in India. Staff with 10-20 years' experience has infrastructural barriers, a negative impact on e-banking development & staffs with less than 10 years' experience have legal, regulation & socio-cultural issues have an inappropriate impact on e-banking development.
Effect of Forensic Audit in Detecting, Investigating, & Preventing Bank Frauds					
16.	Njanik, K., Dube, T. & Masha yanye, E. (2009)	Journal of sustainable development in Africa	The effectiveness of forensic auditing in detecting, investigating & preventing bank frauds	1. What are the different forms of bank frauds that need the attention of forensic auditors? 2. What is the role of forensic auditing in banking operations? 3. Is the Zimbabwe banking environment conducive to forensic auditing?	Forensic auditing, as an administrative function, has a role to play in the overall protection of bank assets. Forensic auditors have a mandate to detect any potential bank fraud &, if occasioned, conduct investigations of cases at hand & at least suggest effective ways of preventing the occurrence of such frauds. This can be effective where environment is conducive for them to fulfill this mandate using available detective & investigative techniques to counter bank frauds.
17.	S. J. Inyada, D.O. Olapade	American international	Effect of forensic audit on bank	1. Determine the effect of forensic audit on bank fraud detection.	The unprecedented increase in cases of bank frauds in Nigeria has made the application of forensic audit

	& Ugbede J. (2019**)**	journal of contemporary research	fraud in Nigeria	2. Ascertain the effect of forensic audit on bank fraud prevention.	an indispensable tool in audit cycle. Its skills are contemporary & diagnostic audit tools that help in the detection, prevention & reduction of frauds. Its skills given't only greater & current insight into the banks' internal control measures & risk management techniques but also made available the technical capability for detection, prevention & reduction of frauds. Survey design was employed & sample of study was 128 out of 165 population. The data were analyzed using the ordinary least square (OLS) regression model. Findings show that it helps in an enhanced bank fraud detection & prevention. the results show that forensic audit is not just an effective tool but also an efficient tool for the detection, prevention & reduction of bank frauds.

Table 7 National Reviews

S.No.	Authors & Year	Journal Name	Title	Objectives	Findings
Increasing Banking Frauds in India, Reasons, Trends Analysis & Its Impact					
1.	Mamta Shah (2019)	Parichay: Maharaja Surajmal Institute Journal of Applied Research	A Case Study on Increasing of Banking Frauds in India	1. 1. To determine reason of various types of frauds in Banking 2. 2. To check different forms of fraud & their impact on different Stakeholders. 3. 3. To find out various measures to stop these frauds, so that to protect different stakeholders for that.	Many reasons of fraud primarily related to poor regulatory system, carelessness of employees, lack of proper supervision by top management, improper use of technology, lack of awareness of customer & employees & poor Coordination. To overcome these issues Banks should constantly monitor system & regularly review & check transitions, which may cause online fraud. To address this issue, there is a need to

					educate customers & create awareness. Make more stringent laws to curb growing menace of corruption among banking officials. Banking operations such as Inter branch transactions, Loan, Deposits & other online transactions should be highly secured.
2.	Ainsley Granville Andre Jorge Bernard, Brahma Edwin Barreto, Rodney D'Silva (2019)	International Journal of Innovative Technology & Exploring Engineering (IJITEE)	Impact of Frauds on the Indian Banking Sector	1. 1. To review & analyse trend of frauds plaguing banking sector in India. 2. 2. To examine impact of frauds in continuous rise of NPAs in Indian banking sector. 3. 3. To elucidate impact of rising bank Frauds on profitability of banking sector in India.	Amount involved in frauds risen drastically in comparison to increase in number of frauds. Majority of frauds in banking sector relate to advances in India. Gross NPAs to Gross Advances Ratio has shown a rising trend over the years. Asset quality of industry related advances followed by advances related to service sector are a matter of concern for banking sector in India. Frauds have a significant impact on NPA in Indian banking sector. Profitability of banks is on a steady decline. Frauds have a significant impact on profitability of Indian banking sector.
3.	Dr. Sukhamaya Swain, Dr. Lalata K Pani(2016)	International Journal of Business & Management Invention	Fraud in Indian Banking: Aspects, Reason, Trend-Analysis & Suggestive Measures	1. 1. To study different reasons of frauds. 2. 2. To analysis trend of frauds. 3. To provide suggestive measures to overcome frauds.	Reasons of Frauds: lack of adequate supervision of top management, faulty incentive mechanism in place for employees, collusion between staff, corporate borrowers & third-party agencies, weak regulatory system, lack of appropriate tools & technologies in place to detect early warning signals of fraud, & lack of awareness of bank employees & customers. Banks need to

					constantly monitor fraudulent activities in such transactions & regularly review & update existing security features to prevent easy manipulation by hackers, skimmers, phishes, etc.
4.	Charan Singh & 10 others(2016)	IIMB-Working Paper No. 505	Frauds in the Indian Banking Industry	1. 1. To understand & analyse underlying causes contributing to increase trend in frauds committed in Indian banking sector. 2. 2. To suggest appropriate & suitable measures that can help system in addressing these issues.	PSBs fare better that PVT. In terms of total number of bank frauds. However, total amount involved is much higher in PSBs as compared to PVT. Due to large size of loans provided to customers by PSBs. Credit related frauds have maximum impact among all banking frauds in India because of high amount involved & cumbersome process of fraud detection followed by CVC. Frauds may be primarily due to lack of adequate supervision of top management, faulty incentive mechanism for employees; collusion between staff, corporate borrowers & third-party agencies; weak regulatory system; lack, appropriate tools & technologies to detect early warning signals of a fraud; lack awareness of bank employees & customers; & lack of coordination among different banks across India & abroad. Delays in legal procedures for reporting, & various loopholes in system have been considered some major reasons of frauds & NPAs.
Employee Frauds					
5.	Dr. Joseph F Adebisi, Okike B.	International Journal of Business	Employee Frauds Financial	1. To evaluate & understand how employee fraud in	There should be more proactive control measures that will

	Matthew, & Patricia O. Agbo (2016)	Marketing & Management	Institutions: Evidence from Deposit Money Banks (DMBS) in Nigeria	banks impact magnitude of fraud in Nigerian Deposit Money Bank. 2. To study corporate fraud in banking industry & white-collar crime.	oversee activities of top management staff of banks in order to reduce further fraud case that involve such class of staffs, enhance audit function to oversee activities of middle level management employees & lower level employees should be encourage by ensuring prompt promotion with deserved package & absorbing temporary staff as permanent staff.
Fraud Detection Techniques (Using Banking Database)					
6.	Sayali Kishor Rodge (2016)	International Research Journal of Engineering & Technology	Study of data mining on Database Fraud Detection Techniques	1. To study overall Data Mining technique to overcome conflicts of bank database, fraud detection, database security & to make secure transactions from database.	Operations performed in data mining are used to give security to database & to enhance decision-making power. Paper covers almost all issues related to banking database security & how data mining is used to overcome those techniques. Paper also focuses on important algorithms like K-means or K-Medoids etc. this will give proper way to extract data.
Training in Forensic Audit in Banking Sector					
7.	Monika Aggarwal & Gurpartap Singh (2015)	Gian Jyoti E-Journal	Training in Forensic Audit in the Banking Sector: A Status Report of Banks in Chandigarh	To know the kind of preparedness that banks have to deal with various frauds and the type of systems that they have in place to save them from such eventuality.	Most of the banks don't have a dedicated person for fraud risk management & fraud investigation Function. Regarding training in fraud detection & forensic audit, three thrust areas for banks, where implementation needs to be improved are: training for using forensic technology tools for investigation, training for intelligence gathering, & Training on fraud risk assessment. Training is an ongoing activity & identified bank staff needs to provided

					information & training about latest Forensic audit techniques & tools. Majority of the respondents have positive attitude towards the useful of training programmes in forensic audit & fraud detection being useful to detect & prevent frauds.
Performance Measurement System in Indian Banking Sector					
8.	S.K. Khatik & Amit Kr. Nag (2015)	International Journal of Society for Human Transformation & Research (SHTR)	Performance Measurement System in Indian Banking Sector in Camel Framework A Comparative Study of Private Foreign Banks in India	1. To analyse concept of CAMEL Model Approach. 2. To examine Capital Adequacy, Assets Quality, Management Efficiency, Earning Quality, Liquidity banks. 3. To study overall performance & soundness of Private & Foreign banks with help of CAMEL Model approach.	Overall ranking, based on CAMEL Model to rate performance of five private & five foreign banks in India is revealed. ICIC Bank on Top position i.e, on 4th was ING Vysya Bank. On comparing performances of foreign banks based on CAMEL model, Antwerp Diamond Bank on top position among five foreign banks. Bank of Bahrain & Kuwait on 2nd. Barclays Bank & Citi Bank on 3rd position & in last position were Hongkong & Shanghai Banking Corporation (HSBC).

Research gap

Given the above review of literature, it can be seen that there is no literature on reporting Financial Frauds in Banks & its Impact on the Performance of the Indian Banking Sector. However, research has been conducted on the related topics such as "effects of financial fraud & liquidity on the financial performance of commercial banks in Kenya," Reasons of Banking Fraud, E-Banking Frauds & Safety Awareness of Customers in Nanded District, and various elements of fraud such as a critical study of legislative measures, E-wallet Transactions Fraud, Loan & Advance Related Frauds, banking frauds in India: emerging trends & legal challenges in 21st century, the banking system in India: a legal study with particular reference to fraud & forgery in PSBs, Role of employees' awareness in banking frauds, implementation of preventive security controls, different kinds of scams, its impact & how to

prevent from it, fraud detection techniques in banks, employees' frauds etc. But none of the studies have been conducted to know the effects of fraud on the financial performance of India's banking sector. In India, in this field & as per the author's knowledge, this study is the first attempt to study the impact of financial fraud on the performance of the Indian Banking System regarding auditing & reporting. The literature review shows that there exists some link between two variables, i.e., financial fraud & its impact on the financial performance of banks.

Need of the study

There is an urgent need to deal with the consequences of banking fraud & its impact on the Indian banking sector & this thesis can contribute to finding solutions for the current situation.

In present-day- times, Banks play an essential role in developing the economy of India. The rise in the number of frauds & NPAs has severely affected the banking sector's profitability in India. Various studies have been conducted on banking fraud. This study will help the banks: how to prevent bank fraud with

Banking Fraud has long been a matter of discussion among researchers as to how they are related to the performance of Indian Banking Sector. Reference to its reporting, perception of stakeholders on Bank frauds & causes contributing to increasing trend etc. Suppose the banking system is plagued with high levels of NPAs. In that case, it is a cause of worry because it reflects the financial distress of borrower clients or inefficiencies in transmission mechanisms. Indian economy suffers to a great extent from these problems, & this served as the prime motivation for the author to carry out this detailed study of frauds in the Indian banking sector & examining frauds from different angles.

Objectives of the study

1. To study the Concept of Fraud & Examine the Legal Framework (RBI Guidelines & Relevant Laws) for the Detection & Prevention of Financial Frauds in the Indian Banking Sector.
2. To understand & analyze underlying causes contributing to the increasing trend in frauds committed in the Indian banking sector.
3. To identify & analyze the reporting system of financial frauds in Indian Banks.
4. To know and analyze the efficiency and effectiveness of the fraud reporting system in the Detection & Prevention of financial frauds in the Indian Banking Sector.

5. To measure & analyze the impact of financial frauds on the financial performance of Indian Public & Private Sector Banks affected due to financial frauds.

6. To study the perception of banks' stakeholders regarding Banking Frauds & their impact on the financial performance of Banks.

HYPOTHESES FORMULATION

On the basis of the above-mentioned objectives, following will be the null hypothesis which the study aimsto test.

1. H_{O1}: There is no significant impact of financial frauds on the financial performance of the Indian Public sector & Private Sector Banks affected due to financial frauds.

2. H_{O2}: There is no significant perception of stakeholders of Banks regarding Banking Frauds & their impact on the financial performance of Banks.

3. H_{O3}: There is no significant efficiency and effectiveness of fraud reporting system in the Detection & Prevention of Financial Frauds in the Indian Banking Sector.

Research Methodology

Type of Research:

This study is an Explorative, Analytical, Qualitative, & Descriptive type of research. The research will be explorative, where the phenomenon of the prevention of financial fraud & the assistance provided will be studied.

Research design

As part of the study, a questionnaire-based descriptive survey will be conducted among stakeholders such as bank employees, Customers, Researcher, banking professionals (Chartered Accountants & Advocates) & bank experts etc.

According to Cooper & Schindler (2003), a descriptive study is concerned with finding out what, where &how of a phenomenon. The modes by which data will be collected are research tools such as Case Studies,Interviews (if possible) & Questionnaires are used to collect data. Based on the nature of the study most appropriate method is selected that can answer the questions related to the objectives & hypothesis of the study

The sampled employees comprising of Managers, Retired bankers, Officers & Clerks of the branches

weregiven the questionnaire by (if possible) personally visiting them in bank.

It comprised of several questions that attempted to know their opinions while working in a bank regarding training received, attitude towards the procedures prescribed by RBI, their compliance level under the following six heads: deposit account, loans & advances, administration of passbook & cheque book, drafts section, internal & inter-branch accounts, & credit-card section for bank employees. Main objective of above survey is to know the awareness level towards frauds of bank stockholders.

The Professionals comprising of Chartered Accountants (practitioner who are conducting Bank Audit) & Advocates (who are dealing in Bank fraud cases). It comprised of several questions that attempted to know the opinions of professionals while conducting Bank Audit & while dealing with the cases of Bank Fraudsrespectively.

For Researcher Mixture of Both Type of Questions will be asked.

Research Technique: Convenience Sampling Technique will be used for conducting the descriptive surveyamong the stakeholders.

Population

There are Total 12 public sector Banks & 22 Private Banks in India. The population consisted of all the 34Banks (Public sector Banks & Private Banks) in India.

Data Analysis Procedure

The process of analyzing is based on calculation of various percentages, coefficient etc. by applying variousformulae & interpretation of data.

Various Legislations such as Guidelines notified by RBI time to time to be followed by the banks, IT Act, 2000 was thereafter enacted, & later on IT Amended Act, 2008 was enacted. Certain sections of Indian Penal Code, The Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI Act) are taken as a basis of this study.

Tools of Analysis: SPSS tool is used for data Analysis.

Test conducted: ANOVA, Variance Analysis, correlation & regression test, hypothesis is tested by applying t-test, & individual questions are test by applying respective test, etc.

Data Presented: Data is presented with the help of tables, bar graph, pie chart etc.

Duration of the study

For the purpose of analysis of data, a period of Ten financial years from 2010-11 to 2019-20 Will be takeninto consideration.

Data Collection

The collection of data consists of not only primary data but also of secondary data.

Sources of Data:

A. Primary Data:

Primary data will be collected by distributing a structural questionnaire. The questionnaire will be served tovarious stakeholders of Bank such as Bank employees, Customers, Chartered Accountants, Researcher, banking professionals, bank experts, & Advocates etc. In addition, the questionnaire will contain only closeended questions.

B. Secondary Data:

Secondary data will be collected from the following sources:

a) RBI Annual reports (Trend and Analysis reports)

b) The Reports published by the Indian Banks' Association (IBA)

c) The Reports published by Economic Offences Wing (EOW)

d) Banks Audit Report – Statutory as well as Concurrent

e) Publications of Ministry of Finance

f) Annual reports & publications of various banks

g) Books and journals relevant to the study conducted

h) Official Websites of the Banks

i) Blogs on Banks Frauds

j) Reports of surveys undertaken by private institutions.

k) Research publications

l) Case studies & Judgments etc.

m) Working Papers

n) Published & reported news stories in various media such as print and audiovisual.

o) Unpublished data from the records of the banks.

p) Published and unpublished research reports in Journals, Magazines and Research Proposals.

Table 8 Objective Wise Methodology

S.NO	OBJECTIVES	METHODOLOGY
1.	To study the Concept of Fraud & Examine the Legal Framework (RBI Guidelines & Relevant Laws) for Detection & Prevention of Financial Frauds in Indian Banking Sector.	The objective will be achieved by studying rules, regulations, RBI Guidelines & Relevant Laws for Prevention & Detection of Financial Frauds in Indian Banking Sector.
2.	To understand & analyze underlying causes contributing to increasing trend in frauds committed in Indian banking sector.	This objective is based on secondary sources of data: literature review & case study approach. It also relied heavily on trend analysis of frauds based on past data available with the RBI & Various other entities.
3.	To identify & analyze the Reporting System of financial frauds in Indian Banks.	The objective will be achieved by Studying Journal, Magazines, respective websites, Books & Statutory & concurrent Audit Reports of Selected Banks etc.
4.	To measure & analyze the impact of Financial Frauds on the Financial Performance of Indian Public sector & Private Sector Banks affected due to financial frauds.	The objective will be achieved by using CAMEL Model Approach by measuring capital adequacy, assets quality, management efficiency, earning quality & liquidity etc.
5.	To know and analyze the efficiency and effectiveness of Fraud Reporting System in Detection & Prevention of Financial Frauds in Indian Banking Sector.	The objective will be achieved by employing a research survey design, floating a structured questionnaire to chartered Accountants who are engaged in audit of banks.
6.	To Study the Perception of Stakeholders of Banks regarding Banking Frauds & their impact on the Financial Performance of Banks.	A Structured Questionnaire will be used to collect data for achieving the objective containing only close ended questions.

Table 9 Proposed Chapter Plan of the Study

CHAPTER NUMBER	CHAPTER NAME
1.	INTRODUCTION INCLUDING REVIEW OF LITERATURE & RESEARCH METHODOLOGY
2.	FINANCIAL FRAUDS IN BANKS
3.	EFFICIENCY AND EFFECTIVENESS OF FRAUD REPORTING SYSTEM IN DETECTION & PREVENTION OF FINANCIAL FRAUDS IN INDIAN BANKING SECTOR.
4.	IMPACT OF FINANCIAL FRAUDS ON PERFORMANCE OF INDIAN BANKING SECTOR
5.	STUDY THE PERCEPTION OF STAKEHOLDERS TOWARDS FINANCIAL FRAUDS
6.	REPORTING SYSTEM OF FINANCIAL FRAUDS IN INDIAN BANKS
7.	SUMMARY OF FINDINGS, CONCLUSIONS, AND SUGGESTIONS, PRACTICAL RECOMMENDATIONS & AREAS OF FUTURE RESEARCH WILL BE SUGGESTED.

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